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SUBJECT: PARLIAMENT CONFIRMS MINISTERS, ALEKSISHVILI WAITS

REF: A) 07 TBILISI 2169, B) 07 TBILISI 2221

11. (U) Summary: On September 7, the Georgian Parliament approved the new Cabinet of Ministers (ref A) at its first fall session after the summer holidays. The nomination of the former Minister of Finance, Aleksi Aleksishvili, to be President of the National Bank of Georgia was not considered (ref B). Parliament may consider his nomination around the end of September. The changes to the Cabinet were announced by Prime Minister Noghaidei on August 29, but as the changes affected more than one third of the Cabinet, parliamentary approval was required. The six new ministers are not unknown, as all have previously held leading positions in the government. End summary.

12. (U) Davit Tkeshelashvili - confirmed as Minister of Labor, Health and Social Protection, has held the position of Minister of Environment since 2006. Tkeshelashvili was a member of Georgia's parliament since 1995, where he held various positions from Deputy Leader of the Majority to Head of the Subcommittee on Media Relations of the Human Rights Committee. A lawyer by background, Tkeshelashvili completed his master's degree in law at Emory University on a Muskie fellowship. At one of the committee hearings, Tkeshelashvili said that while he does not have a medical background, he is not going to interfere with the professional work of medical doctors. Even so, the government intends to reform the entire system.

13. (U) Nika Gilauri - confirmed as Finance Minister, held the position of Energy Minister since 2004, he served longer as minister in one position than any other person. Prior to his ministerial appointment, Gilauri held the position of financial manager at the Irish Company, ESBI Tbilisi, and financial consultant at Iberdola, a Spanish Consortium in Tbilisi, Telecom Georgia, and Center for Small Business Development, Philadelphia. Gilauri holds a master's degree in International Business Management from the University of Philadelphia. PM Noghaidei has characterized Gilauri as a "stubborn," principled person. He is bright, witty and energetic.

14. (U) Gilauri enjoys the confidence of PM Noghaidei and President Saakashvili, not least because of the remarkable recovery of the Georgian energy sector under his administration. USAID provided policy advice under one program and a contractor who managed the electric utility UEDC under another while he was Minister. In the last few years, he insisted that renewing the policy advice program was unnecessary. Although he does not have financial experience, Noghaidei indicates that he is relying on Gilauri's intelligence and drive to make him a good Minister of Finance.

15. (U) Davit Chantladze - confirmed as Minister of Environmental Protection and Natural Resources, has held the position of Deputy Minister in that Ministry since 2005. Before that, Chantladze held various positions in private business and worked as a business specialist at the US Embassy, Tbilisi. Chantladze holds a diploma

from the London School of Economics.

¶6. (U) Eka Tkeshelashvili - confirmed as Minister of Justice, was formerly the Chair of the Tbilisi Court of Appeals. Prior to that, Tkeshelashvili held positions as Deputy Minister of Interior and Deputy Minister of Justice. Tkeshelashvili has a master's degree from the University of Notre Dame, Indiana and is a Muskie/FSA graduate fellowship recipient.

¶7. (U) Alexander Khetaguri - confirmed as Energy Minister, worked at the Georgia National Energy Regulation Commission after 1999. Khetaguri holds a master's degree in Energy Management from Tbilisi State University, and has a degree in computer science.

¶8. (U) Khetaguri was Deputy Minister of Energy under Gilauri from 2005 until 2006. He became President of the Georgian Oil and Gas Corporation after its previous head resigned due to corruption charges. He led Georgia's negotiation team with the Azeris last year and secured additional amounts of gas when supplies from the Shah Deniz line were delayed. Khetaguri has a more serious mien than Gilauri, but is technically fully as competent, if not more so. He attended two short training programs on utilities management and finance in the United States.

¶9. (U) Aleksi Aleksishvili - nominated for the position of the president of the National Bank, held the position of the Finance Minister since June 2005. Prior to that, Aleksishvili was Minister of Economic Development and Deputy Minister of Finance. Aleksishvili is another recipient of a Muskie fellowship, and holds a Master of Arts in Public Policy from Duke University, North Carolina. During parliamentary debate on his nomination, Speaker Burjanadze stated she would not support Aleksishvili's candidacy. She fears that Aleksishvili will not be independent as the head of the National Bank. He was elected to the National Bank Board on September 11. Parliament is expected to consider Aleksishvili's

TBILISI 00002308 002 OF 002

nomination as bank president by the end of September.

¶10. (SBU) Aleksishvili was neither a vocal nor controversial member of the Cabinet as Finance Minister. He was overshadowed by the Prime Minister, a former finance minister himself with strong opinions about how the job should be done. During Aleksishvili's term as Minister, tax and privatization revenues skyrocketed as better collections and new, lower tax rates reduced the gray economy from an estimated 70% of production to 20% after the Rose Revolution. A consolidation of the revenue agencies was undertaken and the notorious Financial Police somewhat reined in. These decisions were most likely Noghaidei's. If Aleksishvili is confirmed as President of the National Bank of Georgia, he will be far more deferential to Noghaidei than was its former head, Roman Gotsiridze. The central bank has a leading role to play in the fight against inflation, which is currently the number one threat to Georgia's economic stability. Noghaidei once told us that but for IMF restraints on government spending and the tight money policies it counseled, growth in 2006 would have been two or three percentage points higher than the 9.4 percent it was. While he went along with IMF recommendations Noghaidei has wondered aloud with us on several occasions whether Georgia should follow the policy prescriptions of advisors like Andrei Illarionov, who counsel that countries at the stage of development of Georgia must be ready to tolerate inflation for the sake of faster growth. It remains to be seen whether the National Bank under Aleksishvili will be able to jawbone the government into controlling spending and limit the growth of the money supply to a rate where inflation remains in control.

¶11. (U) The shuffle of Ministers is intended to infuse new energy in the work of the Cabinet. "The goal of the latest cabinet reshuffle is to achieve even more efficiency," said PM Noghaidei, while President Saakashvili stressed that despite some changes in the Cabinet, Georgia has a stable, united team. "This is a stable group which speaks with one voice and is result-oriented," said Saakashvili. Opposition is not supporting the changes, claiming that the reshuffle is only a signal that preparations for next year's parliamentary and presidential elections have begun. The reshuffle was also criticized by speaker Burjanadze, who complained

that the government had not consulted with her on the proposed changes beforehand (ref B).

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